

W7	Learning Area	Entrepreneurship	Grade Level	11/12
	Quarter	4	Date	Week 7

IV. LEARNING PHASES AND LEARNING ACTIVITIES

I. Introduction (Time Frame: 5 minutes)

In the previous lesson, you learned how to make and prepare a business plan, operate the business, know how to sell the product, and the significance for keeping business records. A business plan is an effective tool in making your dream business come true. It reiterates different plans or strategies in operation and administration, marketing, production and logistics, finance, etc.

In this lesson you will have to know how to record the business transaction and reflect them in the accounting book records. You will do accounting entries and prepare basic financial statements such as income statement, a balance sheet, and a cash flow statement. You will be able to perform actual bookkeeping tasks and prepare basic financial statements on your own.

D. Development (Time Frame: 90 minutes)

The bookkeeper uses the **Book of Accounts** to record the business transactions which is to be consolidated later to help construct financial statement such as the Trial Balance, Income Statement and Balance Sheet.

The book of accounts is composed of the **Journal and Ledger**. It depends on the type of business, some businesses used special journals when they are engaged merchandising type of business to record business transactions. This lesson will cover and provide example for service-oriented business. Only the journal and ledger will be used in the succeeding examples.

BOOKKEEPER

- A person who records the day-to-day financial transactions of business.
- He/she is responsible for writing the daybooks which contain records of purchases, sales receipts, and payments.
- He/she is responsible for ensuring that all transaction, whether it is cash transaction or credit transaction, are recorded.

SPECIFIC TYPES OF ACCOUNTING RECORDS

1. **Journals** – is the book of original entry. It is where all business transactions are chronologically recorded for the first time.

Guidelines in Using the General Journal

1. **Date column** – it shows the date of occurrence of the transaction. The year and month are not rewritten for every entry unless they have changed, or a new page is needed.
2. **Particular** – it shows the account debited and credited as well as a brief explanation of the transaction is entered on the next line slightly indented from the credit account.
3. **Posting Reference** – it is used when the entries are posted until the amount which are transferred to the related ledger account.
4. **Debit Column** – it is first money column where the amount of the debit account is entered.
5. **Credit Column** – it is the second money column where the amount of the credit account is entered.

	A	B	C	D	E	F
1			GENERAL JOURNAL			PAGE
2						
3	DATE	ACCOUNT TITLE	POST. REF.	DEBIT	CREDIT	
4						
5						
6						
7						
8						
9						
10						
11						
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GENERAL JOURNAL

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The Rules of Debit and Credit

- Following the rules of Debit and Credit are essential part to ensure accurate recording and sound decision making.
- Debit is abbreviated as DR while CR for Credit.
- It is a requirement that the bookkeeper be able to master the normal balance of each account title before performing the tasks of bookkeeper.

When to Debit?

When cash or non-cash items are received, the said cash or non-cash items must be recorded in the debit column. This means that the debit balance increased. It is called **Value Received**.

When to Credit?

When cash or non-cash items are given, the said cash or non-cash items must be recorded in the credit column. This means that the credit balance is increased. It is called **Value Parted With**.

The following steps will be undertaken in determining account balances for every account title such as cash, account receivable, etc.:

1. Add all the debit side to generate total debit.
2. Add all the credit side to generate total credit.
3. Subtract total debit to the total credit.
4. Determine the balance of each account.

RECORDING TRANSACTIONS

Bookkeeping involves the recording of the financial transactions. The transactions will have to be identified, approved, sorted, and stored in a manner so they can be retrieved and presented in the financial statement of the company's and other reports. Here are few examples of some of the financial transactions of a company:

Accounting Elements	Account Titles	Normal Balances
(a) Asset	Cash Accounts receivable Notes receivable Supplies on hand	Debit
	Unused factory supplies Inventory Raw materials Work-in-process Finished goods Equipment Furniture and fixtures	
(b) Liability	Accounts payable Notes payable Utilities payable Salaries payable	Credit
(c) Capital	Capital Drawing	Credit
(d) Income	Service Income Rental Income Sales	Credit
(e) Expenses	Salaries and Wages Store supplies expense Taxes and licenses Utilities expense Traveling expense	Debit

Example:

2019, December 1. Jerry Toredó opened her small laundry shop with a legal trade name approved by DTI as Modern Laundry Center. The business has been registered as a non-VAT taxpayer. Jerry rented a place for the business at Rizal Street, Calamba City. The rental fee is ₱3,000 per month. She made the following initial investment:

Cash	₱ 20,000
Three units of washing machine	45,000
Five units of electric iron	3,000

The entry in the journal will appear as follows:

Year 2019	Particulars	Ref no.	Debit	Credit
Dec 01	Cash		₱ 20 000	
	Laundry Equipment		48 000	
	Jerry Toredó, Capital			₱ 68 000
	To record initial investment			

December 2. She bought detergents and other materials needed for washing of clothes, curtains, blankets, and related items from Yvone Merchandising amounting to ₱1,800.

The entry in the journal will appear as follows:

Year 2019	Particulars	Ref no.	Debit	Credit
Dec 02	Laundry Supplies Expense		₱ 1 800	
	Cash			₱ 1 800
	To record purchase of detergents			

The entry in the journal will appear as follows:

Year 2019	Particulars	Ref no.	Debit	Credit
Dec 05	Cash		₱ 7 300	
	Laundry service income			₱ 7 300
	To record laundry service			

2019	Particulars	Ref no.	Debit	Credit
Dec 01	Cash		P 20 000	
	Laundry Equipment		48 000	
	Jenny Toredó, Capital			P 68 000
	To record initial investment			
Dec 02	Laundry Supplies Expense		1 800	
	Cash			1 800
	To record purchase of detergent			
Dec 05	Cash		7 300	
	Laundry service income			7 300
	To record laundry service			
		P 77 100	P 77 100	

1. Date
2. Particulars
3. Folio or Post Reference
4. Amount

[illegible]

1. Erroneous recording in the journal
2. Erroneous posting to the ledger
3. Mathematical mistakes
4. Omission

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MR. LABANDERO TRIAL BALANCE FOR THE PERIOD JANUARY 2016			
Acct No.		TRIAL BALANCE	
		DR	CR
100	CASH	434,000	
110	ACCOUNTS RECEIVABLE	15,000	
120	OFFICE SUPPLIES	12,500	
125	STORE SUPPLIES	10,000	
130	WASHING MACHINE	50,000	
200	ACCOUNTS PAYABLE		-
300	L. DEYRO CAPITAL		500,000
310	L. DEYRO DRAWING	18,000	
400	LAUNDRY INCOME		78,000
500	UTILITIES EXPENSE	18000	
510	SALARIES EXPENSE	15000	
520	TRANSPORTATION EXPENSE	1500	
530	TAXES & LICENSES	4000	
	TOTAL	578,000	578,000

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